

MINUTES OF THE CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

April 20, 1999

The Capital Projects and Bond Oversight Committee met on Tuesday, April 20, at 1:00, in Room 129 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chairman; Senator Bob Leeper, Vice Chairman; Senators Tom Buford and Bob Jackson; Representatives Robert Damron, Paul Marcotte, and Jim Wayne.

Guests: Bill Hintze, Roger Burge, Earl Clemons, and Allen Holt, Governor's Office for Policy and Management; Kim Blitch, Bart Hardin, and Tom Howard, Office of Financial Management and Economic Analysis; Commissioner Armond Russ, Department for Facilities Management; Mark Board, Finance and Administration Cabinet; Joe Gray, Administrative Office of the Courts; Tom Engstrom, Department of Education; John Cubine, Karen Timmel, and David McKnight, Office of the Attorney General; Commissioner Gary Rose, Kentucky State Police; Glenn Mitchell, James Molloy, and Gina Morris, Transportation Cabinet; Dr. Robert Tarvin, School Facilities Construction Commission; Mary Allen and Lloyd Axelrod, University of Kentucky; David Bratcher, Cabinet for Economic Development; Marilyn Eaton-Thomas, Kentucky Infrastructure Authority; Edward Hatchett, Bob McBeath, James Rose, Stephanie Robey, and Chris Tobe, Auditor of Public Accounts; J. Michael Brown and Bob Benson, Regional Airport Authority of Louisville and Jefferson County; Burt Deutsch, Louisville Airport Improvement Program; Mary Rose Evans, Mary Anne Evans, Emily Evans, Ellen Evans, Andrew Evans, Donand Conrad, Luanne Rice, and Denny Ried, Airport Neighbors' Alliance; A. O'Nan, Marcella Johnson, and Wilbur Johnson, Edgewood-East Neighborhood Association; Richard Tanner, Kentucky Magistrates and Commissioners Association; John Brazel, Kentucky Chamber of Commerce; Karen Garrison, Kentucky Association of Counties; Dr. John Shumaker, Mike Curtain, Dan Hall, Nancy Martin, and Larry Owsley, University of Louisville; Ken Walker, Council on Postsecondary Education; Rob Miller and Emma Bass, Kentucky State Police; Bob Bender, Reid Bishop, Cheryl Smith, and Hugh Smith, Department of Parks; John Cooper, Gray Construction; Jerry Deaton, Kentucky League of Cities; Paul Royce, Cabinet for Health Services; Greg Higdon, Associated Industries of Kentucky; Mike Helton, McBrayer McGinnis, Leslie & Kirkland; Joe Blair, Lola Lyle, Steve Mason, Charles Shirley, and Doug Teague, LRC.

LRC Staff: Mary Lynn Collins, Pat Ingram, Jack Affeldt, Lou Pierce, and Shawn Bowen.

Press: Michael Collins, *Kentucky Post*; Patrick Crowley, *Cincinnati Enquirer*; and Tony McVeigh, *Kentucky News Network*.

Chairman Haydon said the first item of old business was a recommendation by Mr. Ed Hatchett, State Auditor of Public Accounts, relating to the Regional Airport Authority of Louisville and Jefferson County (RAA). In October 1998, the Committee took an approval action which released the \$20 million appropriation made by the 1998 General Assembly for the RAA to accelerate its purchase of land under the airport's Voluntary Buyout Program. Before the Committee took that action, the Committee asked representatives of the RAA to consider the Auditor's recommendation for a management audit, focusing on the Louisville Airport Improvement Program (LAIP) and to report back to the Committee.

Chairman Haydon said Mr. J. Michael Brown, Chairman of the RAA, would respond to the management audit recommendation, and Ms. Mary Rose Evans, President of the Airport Neighbors' Alliance, would also speak on the issue. He also noted Mr. Hatchett was available to answer questions.

Mr. Brown said Mr. Jim DeLong, RAA General Manager, indicated to the Committee in October 1998 that the RAA would discuss the issue of a management audit with the State Auditor's Office. He said in November 1998, he, the RAA Vice Chairman, and Mr. DeLong, met with Mr. Hatchett and his staff to discuss the recommended management audit, and in follow-up correspondence, Mr. Hatchett indicated the audit would begin by interviewing key staff and reviewing key documents to obtain an overall understanding of the LAIP. Based upon the results of the survey, the RAA would be notified if a management audit would be recommended. Mr. Brown said in addition to a letter of response to Mr. Hatchett, he transmitted a vast amount of information about the LAIP, including information that Mr. Hatchett indicated would have been sought in a survey. As a result of providing that information, staff from the Auditor's Office visited with RAA staff as recently as March 1999, and requested additional information, which was provided. Mr. Brown said he was handed a report by the Auditor's Office, just prior to the meeting, which he presumed was in response to the information his agency had provided to the Auditor. However, he said he had not had an opportunity to review the report.

Ms. Mary Rose Evans, President of the Airport Neighbors' Alliance, said recent outreach efforts by the RAA have improved and should continue. She said the Commonwealth and its citizens have an interest in the LAIP being managed in the most

cost effective manner possible. The Alliance agrees with the State Auditor that a management audit is important because the project has significantly increased in scope, and the community has many unanswered questions. She noted there were many representatives of the neighborhoods affected by the LAIP at today's meeting to show their support for a management audit.

Mr. Ed Hatchett, Auditor of Public Accounts, said the report distributed today by his office, "Preliminary Review of Improvements at the Louisville International Airport", was generated in an effort to provide information the Committee might find useful in its deliberations and to assist the Committee in its oversight of the LAIP.

Mr. Hatchett said his briefing report contained four suggestions for improvements relating to the LAIP: (1) Efforts should be continued to keep the public informed and involved; (2) The RAA should explore all options for obtaining enough money to relocate all affected residents as soon as possible, including possibly issuing bonds; (3) The General Assembly should consider requiring that all proposed activities related to any airport expansion improvement or land use project obtain the input of affected neighborhood residents; and (4) The General Assembly should consider requiring that all airport boards have a neighborhood representative.

Mr. Hatchett said in their opinion, the only issue of the LAIP that remains unresolved is the relocation of residents who live around the airport. He said the primary goal of a management audit would be to assist the RAA in administering the relocation effort, which could take another ten years. He said his office was not satisfied with the pace of the relocation effort, and they may be able to suggest alternatives to move things forward.

Representative Damron asked how much money it will take to relocate residents in the affected areas. Mr. Hatchett said it is estimated to cost \$120 million to relocate all the residents; to date, the RAA has spent about \$27 million of approximately \$54 million available for relocation. He said they are estimating a \$93 million shortfall in relocation funds.

In response to another question from Representative Damron, Mr. Hatchett said one possible option to address the \$93 million shortfall is the issuance of bonds. He also noted the scarcity of available housing in Jefferson County. Representative Damron said in order for the RAA Board to be able to make sound decisions about this issue, an audit is necessary, and could be done by either the Auditor's Office or by a private agency.

In response to a question from Representative Damron, Mr. Hatchett said the Auditor's Office is not advocating a no-bid contract, but would be happy to bid on the work. He said the most important feature his office provides is independence because

their clients are the taxpayers of Kentucky. He said the audit would include finding potential sources of revenue to meet debt service payments on a bond issue.

In response to another question from Representative Damron, Mr. Brown said the RAA is a non-profit entity with the authority to issue tax-exempt bonds. He said they are considering various financing plans, but before they issue any bonds, they must first demonstrate an income stream sufficient to fund the debt service. Mr. Brown noted one resource the RAA has used to finance the relocation is funds from the Federal Aviation Administration's Part 150 Noise Compliance Program. The federal government is currently \$16-\$17 million behind in its reimbursements to the RAA. However, they will continue to seek federal assistance.

Representative Damron said it cannot be determined whether or not the RAA can do a bond issue until an audit is done. Mr. Brown said he did not understand the relationship between an audit and financial consulting. Representative Damron said an independent audit would determine whether or not the agency is getting the necessary local effort and whether or not the rates for services are equal to or competitive with what other similar entities are charging. He said the RAA may be able to do a bond issue that has no premium on call provisions, and as the federal moneys come in, the bond could be retired.

Mr. Brown said the Auditor reviewed the RAA's financial records from the last ten years and no problems were found. He added that the RAA has complied with House Bill 56 which required appointment of a representative from the Airport Neighbors' Alliance to the Board. In addition, they complied with the budget directives related to the \$20 million appropriated for relocation. They have gone forward with the Innovative Housing Program, moving an entire city to a new community, and they are considering a new financial plan.

Representative Wayne commended the RAA for its spirit of cooperation with the neighborhood groups and asked if the RAA Board will pay for an audit. Mr. Brown, referring to the meeting with Mr. Hatchett and subsequent correspondence, said Mr. Hatchett had talked about conducting a survey, a precursor to determine if an audit would be recommended. During the meeting with the Auditor, nothing was mentioned about trying to find additional sources of revenue for the RAA to relocate residents; the meeting was completely focused on review of what had been done in the past with the LAIP project and not on future relocation efforts. Mr. Brown said at some point, the direction of the proposed audit changed. He said he thought they were still in the discussion stage.

Representative Wayne said according to the minutes of the October 1998 Committee meeting, Mr. DeLong was to inform the RAA Board of the Committee's request for the RAA to consider paying for a management audit. Mr. DeLong or a

representative of the RAA was to then return to the Committee in November 1998 with an answer. He asked again if the RAA will pay for the management audit recommended by the State Auditor's Office. Mr. Brown said he could not answer the question, as he is only one member of the Board. He said that question has not been presented to the Board because of the ongoing discussions with the State Auditor.

Representative Wayne said the Committee has the statutory authority and the responsibility to review the material brought by Auditor Hatchett in light of the \$20 million General Fund appropriation to be used for relocation of residents affected by the LAIP. He said he had the impression that the RAA did not want to pay for the audit. Mr. Brown said nothing has been presented to the Board in terms of how much an audit would cost, and according to Mr. Hatchett's last letter, the discussion focused on possible surveys and the scope of an audit, as opposed to the cost of it. He said he could not commit the Board to pay for an audit today.

Representative Wayne asked if Mr. DeLong had ever relayed the Committee's request that the Board consider obtaining a management audit. Mr. Brown said Mr. DeLong had relayed to the Board that they needed to immediately engage in discussions with the State Auditor's Office, which they did.

Representative Wayne said there appeared to be a misunderstanding, and things needed to be clarified in writing. He presented a resolution for the Committee's consideration urging the RAA to agree to and pay for a management audit, as recommended by the State Auditor of Public Accounts.

Representative Wayne made a motion to adopt the RAA resolution. The motion was seconded by Representative Marcotte.

Senator Buford said the resolution is not legally binding, but does express the Committee's wishes for the RAA. He asked Mr. Hatchett if there is any governmental entity that could require the audit. Mr. Hatchett said his office has the authority to conduct an audit of the RAA, but not the authority to bill the RAA for the work. The RAA would have to agree to pay for it; otherwise he would have to take money from his budget to cover the cost.

In response to a question from Senator Buford, Mr. Hatchett said his office is recommending an audit, but they have not addressed the question as to whether or not money can be removed from another part of his budget to cover the cost of the RAA management audit.

With there being no further discussion on the motion, the motion to adopt Representative Wayne's resolution was passed by voice vote.

Senator Buford suggested that Mr. Brown return to the Committee after the Board considers the recommended audit, and said perhaps something could be worked out with the Auditor's Office regarding the cost of the audit.

Chairman Haydon said the next agenda item was a presentation by Mr. Richard Tanner, Executive Director for the Kentucky Magistrates and Commissioners Association, in response to the Attorney General's report on its investigation of the bid for design and construction of the Kenton County Courthouse. Mr. Bill Butler, Chairman of Corporex, had originally asked to be on the agenda, but instead sent a written statement which was included in the Committee folders.

Mr. Tanner noted certain concerns with the Attorney General's report; particularly the recommendation that local officials be required to report all contact with potential bidders. He said if there is a draft proposal being prepared to address this issue, the Kentucky Magistrates and Commissioners Association would like the opportunity to add its input.

Mr. Tanner noted there were some portions of the report the Association supported. He said the training recommended would be a great benefit to local governments, and he said he also agreed with the recommended penalties to be imposed on bidders that violate the law.

Representative Marcotte said the Attorney General's recommendation that public officials document and report procurement-related contact with bidders was a good one that would solve a lot of problems. Mr. Tanner responded that at this time, it is not clear what would have to be reported or who would receive the report. However, he said if the Attorney General is recommending a log of each conversation a government official has with prospective bidders, the Association does not agree with that.

Representative Marcotte asked Mr. John Cubine, Director of the Division of Administrative Services in the Attorney General's Office, to comment on the recommendation.

Mr. Cubine said the goal of the proposed legislation is not to create additional burdens on local governments. They are only recommending application of the model procurement code for large construction projects of \$1 million or more, not for every purchase that local government makes. He said the log requirement would apply to local officials involved in the procurement process, and would be kept by the designated chief procurement official. It would be a record of who was contacted by whom and the information exchanged. The purpose is two-fold: to protect local officials if allegations of improper conduct arise during the procurement process and to improve

competitiveness for local bidders, by providing protection and uniform standards for all local officials.

Representative Damron said he is the principal sponsor of this legislation, and at this point, there is a draft the Attorney General's Office has reviewed and is agreement with, and which has been submitted to the Department for Local Government for comment. Once the training issues have been resolved, the draft will be submitted to the Kentucky Magistrates and Commissioners Association, the Kentucky Association of Counties, and the Kentucky League of Cities for comment. He said he thought they all had the same goal in mind: insuring a uniform process so contractors can bid on projects fairly and protecting government officials involved in the procurement process.

Representative Damron said a strong component of the proposed legislation is training. He said he does not plan to introduce any legislation until everyone has had an opportunity to comment on the proposal. He noted the Kentucky Magistrates and Commissioners Association has always been very supportive of ethics in government, and assured Mr. Tanner that the Kentucky Association of Counties, the Kentucky League of Cities, and the Attorney General's Office will be actively involved in the construction of the legislation. Mr. Tanner said he appreciated Representative Damron's efforts, and said he wanted to help local officials steer clear of trouble.

Senator Buford said he could see some complications if the legislation requires government officials to keep track of everyone they speak to. He said there should be some consideration given to cases where government officials do not realize they are speaking to someone affiliated with a prospective bidder.

Chairman Haydon said the next agenda item was a project report submitted by the University of Louisville (U of L). He introduced Dr. John Shumaker, President of the University, and Larry Owsley, Vice President for Finance and Administration, to discuss a proposed change in location and a scope increase with agency and private funds for the Belknap Research Building.

Dr. Shumaker began his presentation by introducing Dr. Nancy Martin, U of L Vice President for Research. Dr. Shumaker referred to a handout distributed to the Committee and noted the University's progress towards becoming one of the preeminent metropolitan research universities in the nation.

Dr. Shumaker said the University is requesting to change the location of the research facility approved during the 1998 General Assembly. The U of L master plan projected the construction of three research facilities at the institution. The first research building, known as the Baxter Research Building, is located at the Health Sciences Center. It was constructed with funding from state and private sources and should be

open sometime this year. He said their original master plan projected that in 1998, the University would request a research facility for the Belknap Campus, followed again in the year 2000, with a request for a second research facility at the Health Sciences Center. He said they are asking the Committee's endorsement of a plan to change the sequence in which those buildings are built, and to move the research building approved in 1998 for the Belknap Campus to the Health Sciences Center, and to also increase the scope of the project by \$9 million, using agency funds (\$4.2 million) and private funds (\$4.8 million). The faculty, the trustees, and the Jefferson County Legislative Delegation have reviewed the request and given it their endorsement. Dr. Shumaker said they are not changing the program for the building significantly, but they recognize that for the kind of advanced research work they intend to do in bioengineering, cognitive psychology, environmental science, and biohealth, they need to have closer liaisons with the Health Sciences.

Dr. Shumaker said the endowed chairs funded by the 1998 General Assembly have been instrumental in attracting to U of L some of the nation's most outstanding research scholars and clinicians, including Dr. Suzanne Ildstad, who will shift her 40-person research group in Philadelphia to Louisville before the end of the year. He said they are in the process of negotiating with research groups of the same caliber in the fields of neuroscience and cardiology.

Dr. Shumaker said one of the impediments to attracting highly effective and highly productive research groups is the University cannot easily commit to them the kind of research space they need to move their laboratories to Louisville. He said there are several groups lined up and ready to come, provided the University can give them some assurance that in the next two or three years they will have access to the space they need. The University is proposing to change the location of the building approved for Belknap Campus to the Health Sciences Center so they can move ahead in pursuing this research agenda. He said he will request authorization for the research building for the Belknap Campus in the year 2000.

Representative Damron said the Council on Postsecondary Education (CPE) recommended to the Governor and to the General Assembly the research facility at the Belknap Campus. He asked if the University received CPE's endorsement and approval for the proposed change. Dr. Shumaker asked Mr. Ken Walker, CPE Vice President for Finance, Facilities, and Data Management, to respond to that question.

Mr. Walker said the Council staff discussed the proposed change with representatives of U of L, but the proposal has not been reconsidered by the Council's Board. In November 1997, the Council's Board recommended the research facility to the Governor and to the General Assembly. The Council's interest was in recommending a research facility, and the Belknap Campus research facility was the higher priority for the University at that time. Mr. Walker said the Council supported the University's highest

priority for a research facility, and if the projects had been in reverse order in November of 1997, the Council would have recommended the research facility at the Health Sciences Center.

Representative Damron asked if it would not be prudent for this project to be formally approved by the Board since the University will ask the Board for its support for an additional research facility in the 2000 session. Mr. Walker said they can present this project to the Board for its approval if that is the wish of the Committee. He added that the \$9 million scope increase is within current statutory limits, and does not need the Council's approval.

Representative Damron said although the scope increase is within statutory limits, it is a substantial increase, and the Council may want to address it to determine what impact the proposed changes have on operating costs and the ability of the University to meet its mission.

Representative Damron said he has been critical of the Council from time to time, and would like to see the Council do what it was empowered to do under House Bill 1 from the 1997 Special Session on postsecondary education reform. He said he did not have a problem with the University's plans, but he would like to see the Council take a public stance on the issue.

In response to a question from Senator Jackson, Mr. Walker said he was at the meeting to represent the Council and to speak on behalf of the Board. He said he consulted with Dr. Davies and other staff, and although they did not think it was necessary to address the University's request through the entire Board, he said it would not be a problem to get the Board's endorsement for this project.

Senator Jackson asked if getting the Board's endorsement for this project would delay the University's plans. Dr. Shumaker said they can bring this item before the Council for expedited consideration, and move ahead as planned without a delay.

Senator Jackson said he supported what the University is doing, but said seeking the Board's approval would be the prudent thing to do.

Representative Wayne made a motion to approve the relocation of the U of L Research Building and the \$9 million scope increase with agency and private funds, subject to CPE's approval of the project and certification of the private donations. The motion was seconded by Senator Buford and passed by voice vote. The revised project scope is \$41,040,000.

Dr. Shumaker added that the University has received in writing certification of the private donations.

Chairman Haydon then called on Mr. Bill Hintze, Deputy State Budget Director, Governor's Office for Policy and Management (GOPM), and Commissioner Armond Russ, Department for Facilities Management, to discuss five projects submitted by the Finance and Administration Cabinet.

Mr. Hintze began by discussing a \$125,000 allocation from the Emergency Repair, Maintenance, and Replacement Account for the Jefferson Davis Monument in Todd County. The 1998 General Assembly authorized the use of \$450,000 in bond funds for exterior repair of the monument. Mr. Hintze said, upon inspection, Finance Cabinet officials and consultants discovered the condition of the monument was much poorer than originally envisioned, and due to concerns about public safety, it was closed until repairs are completed. The available bond funds are being used to patch and seal the exterior as far as funding will permit. He said the emergency allocation will be used to complete design work for exterior repairs and interior restoration, and the Department of Parks plans to request approximately \$1.5 million from the 2000 General Assembly to complete the project.

Chairman Haydon said allocations from the emergency account must be reported to the Committee within 30 days, but no further action is required.

Mr. Hintze then discussed an \$800,000 scope increase with federal funds (\$720,000) and state funds (\$80,000) for an Information/Records Management System for the Department of State Police. He said this multi-phase project has been dependent upon federal funds. The Department is now in the last phase of the project, and the scope increase will allow for completion.

Representative Damron asked what the system does and what the estimated maintenance and upgrade costs are. Commissioner Gary Rose, Department of State Police, said this project began in 1994 as a State Police initiative funded through the Department of Justice Law Enforcement Block Grant with a 25% agency match. The goal of the project is to link all the Kentucky State Police posts and offices together for the exchange of information and create a unified records management system. He said the system is Y2K compliant and can also be used for e-mail.

In response to a question from Representative Damron, Commissioner Rose said they have not used EMPOWER Kentucky funds for this project. Mr. Hintze added that the Information/Records Management System will replace a manual system that has been in place since the 1970s.

Representative Damron asked if the newly authorized radio system and the automated fingerprint system are part of this project. Mr. Hintze said the radio replacement system approved in lieu of the 800 megahertz radio system is a separate system for communications and the automated fingerprint information system is a separate system also.

Representative Damron made a motion to approve the scope increase for the Information/Records Management System for the Department of State Police. The motion was seconded and passed by voice vote. The revised project scope is \$6,711,400.

Mr. Hintze then discussed a request by the Transportation Cabinet to substitute certain equipment items for the printing press which was authorized for \$204,000 in Road Funds during the last session. Mr. Hintze said the new cost of the equipment, an envelope offset press, a collator/booklet maker system, and a high-speed color copier, is \$197,000.

Chairman Haydon said this was an information item and no further action was required from the Committee.

Mr. Hintze reported that the Department of Juvenile Justice in the Justice Cabinet recently received \$3,400,000 in federal funds; of that amount \$1,100,000 will be allocated for the Miscellaneous Maintenance Pool. The remainder of the federal funds, \$2,300,000, will be used to fund new programs addressing juvenile issues across the state.

Chairman Haydon said federal funds will be used for capital projects that do not exceed the statutory threshold, and no further Committee action is required.

The final project Mr. Hintze discussed was a \$50,000 allocation from Statewide Deferred Maintenance Fund to the Department of Education. The funds will be used to pay for a \$13,800 cost overrun on the Kentucky School for the Deaf's Middleton Hall Chiller Replacement project. The balance of the funds, \$36,200, will be used for ongoing maintenance costs or other cost overruns on small projects.

This item was for Committee's information, and no further action was required.

Representative Wayne asked why the Finance and Administration Cabinet is sending five staff persons to England to inspect the quality of the tiles being manufactured for the Capitol Dome. Commissioner Russ said the dome is made out of terra cotta tile, manufactured in the U.S. between 1906-1909. He said each of the 700 tiles to be replaced are geometrically unique, each one has to be measured exactly, the terra cotta has to be fired perfectly, and the glazing has to match the other remaining tiles. The only manufacturer they could find to do such work was in England. Commissioner

Russ explained that contracting with a company in outside of the United States makes legal recourse more difficult if there are problems. He stressed it is important the tiles be done right the first time. They will be installed sometime late this summer, and if they are not right, the dome will be exposed for another winter.

The next agenda item, reported by Mr. Hintze, was Executive Reorganization Order 99-332, which reassigns administration for the East Kentucky Center for Science, Math, and Technology project from the Education, Arts and Humanities Cabinet to the Kentucky Community and Technical College System (KCTCS). Mr. Hintze said the project will be developed on the grounds of Prestonsburg Community College, and for that reason, the Administration determined KCTCS could better manage the project.

Representative Wayne made a motion to approve Executive Reorganization Order 99-332. The motion was seconded by Senator Buford and passed by voice vote.

Next, Ms. Marilyn Eaton-Thomas, Kentucky Infrastructure Authority (KIA), presented one new loan from KIA's Fund A, Federally Assisted Wastewater Revolving Loan Fund, in the amount of \$620,000 for the Lewis County Sanitation District #1. The proceeds will be used to construct a wastewater treatment plant and collector lines. She said the newly formed Lewis County Sanitation District #1 was created specifically to serve Tollesboro. The total project cost is \$2,924,800, and also includes a \$642,000 Community Development Block Grant; a \$920,000 Rural Development Grant; a \$350,000 grant from the Appalachian Regional Commission; and a \$330,800 Division of Water Hardship Grant. The KIA loan has an interest rate of 1.8% for a term of 20 years and sewer usage rates will average \$33.34 per month. Lewis County is ready to start construction and has already accepted bids. In order to accelerate the review process, Ms. Eaton-Thomas said the KIA is presenting this project to the Committee prior to review by the KIA Board, scheduled for the following week. KIA staff is recommending approval, subject to certain conditions relating to monitoring.

In response to a question from Representative Damron, Ms. Eaton-Thomas said the community's sewer use ordinance includes mandatory hook-up requirements, so everyone in the community will have to hook on to the sewer system.

Senator Buford made a motion to approve the KIA Fund A loan for the Lewis County Sanitation District #1, pending KIA Board approval. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Haydon then introduced Mr. David Bratcher, Cabinet for Economic Development, to discuss an economic development bond (EDB) grant. Mr. Bratcher said the Cabinet for Economic Development recommends an EDB grant in the amount of \$200,000 to the city of Barbourville to purchase equipment and lease it to Jackson MSC,

Inc., in Knox County for \$1 per year for 20 years. The company, owned by Ecolab, Inc., invested \$2 million in the facility last year. The company will be required to create and maintain 50 new full-time jobs through December 31, 2001, at an average wage of \$9 per hour. If the company fails to meet the job requirements, it will result in payback of \$4,000 per job for each job not created or maintained.

Representative Damron made a motion to approve the EDB grant for the city of Barbourville. The motion was seconded by Senator Buford and passed by voice vote.

Next, Mr. Tom Howard, Deputy Director, Office of Financial Management and Economic Analysis (OFMEA), presented bond issue reports. The first item Mr. Howard discussed was a new bond issue report for Northern Kentucky University Consolidated Educational Buildings Revenue Bonds, Series J. Gross proceeds of \$3,500,000 will be used to finance a parking garage at the University as authorized by the 1996 General Assembly. The average annual debt service will be approximately \$274,549; the first call date is May 1, 2009, at 101%; the anticipated interest rate is 4.93%; and the bonds are expected to be rated A3 by Moody's and A- by Standard and Poor's. Mr. Howard said the bond issue is a competitive sale with Rubin & Hays as bond counsel; Seasongood & Mayer as financial advisor; and Huntington National Bank as trustee.

Senator Leeper made a motion to approve the Northern Kentucky University bond issue. The motion was seconded and passed by voice vote.

Mr. Howard then discussed 1999 State Property and Buildings Commission Revenue Bonds, Project #63. Proceeds from this bond issue will be used to provide financing for the Council on Postsecondary Education Deferred Maintenance and Government Mandates Pool established by House Bill 321 and possibly the Crisp Building Replacement project for UK. Mr. Howard said OFMEA had also planned to fund an Economic Development Bond project for Ford Motor Company in this issue but that may be delayed until a later issue. The proposed date of sale is May 18, 1999; the anticipated bond ratings are A2 by Moody's and A+ by Standard and Poor's and Fitch; the net proceeds are \$28,900,000 (if all projects are included in the issue); the anticipated net interest rate is 4.85%; the average annual debt service is estimated to be \$2,330,000; and the first call date is May 1, 2009, at approximately 102%. Mr. Howard said the bond issue is a negotiated sale with Peck, Shaffer & Williams as bond counsel; OFMEA as financial advisor; Merrill Lynch as underwriter; and Bank of Louisville as trustee.

Senator Leeper made a motion to approve the State Property and Buildings Commission bond issue. The motion was seconded by Representative Damron and passed by voice vote.

Mr. Howard then discussed two follow-up reports for previously issued bonds. The first report was for Kentucky Asset/Liability Commission Project Notes, 1999 General Fund, First Series, in the amount of \$49,195,000. Proceeds will be used to fund the CVU Technology Pool, the Research Equipment and Lab Replacement or Acquisition Pool for the University of Kentucky and the University of Louisville, and the KCTCS Automated Administrative Systems. Mr. Howard said the maturity date is March 1, 2006; the notes were sold March 9 and closed March 17, 1999; the ratings were A+ by Fitch and Standard and Poor's and A2 by Moody's; the total interest cost is approximately 4%; and the Bond Buyer 20-Year G.O. was 5.11%. The bond issue was a negotiated sale with Peck, Shaffer & Williams as bond counsel; Chase Manhattan Trust Company as trustee; and Salomon Smith Barney as underwriter.

The remaining follow-up report Mr. Howard discussed was for Kentucky Housing Corporation (KHC) Housing Revenue Bonds, 1999 Series A and B and 1999 Series C Housing Revenue Notes. Mr. Howard said the Series A and B bonds will finance mortgages for first time and low-to-moderate income Kentuckians. The gross proceeds for the Series A & B bonds are \$55,000,000 and \$61,300,000 for the Series C bonds; the closing dates were April 28 for the Series A & B notes and March 31 for the Series C notes; the combined yield for the three series was 4.97%; and for this same period, the Merrill Lynch Housing Revenue Bond Index and the Bond Buyer Index were 5.29%. The Series A & B bonds were rated AAA by Moody's and Standard and Poor's and the Series C bonds were rated MIG1 by Moody's and SP-1+ by Standard and Poor's. The bond issue was a negotiated sale with Kutak Rock as bond counsel; Merrill Lynch & Company as underwriter; Peck, Shaffer & Williams as underwriter's counsel; and Chase Manhattan Trust Company as trustee.

Mr. Howard noted the two approval letters contained an addition error in the total gross spread, and he would send corrected follow-up reports to the Committee.

Chairman Haydon said these bond issues were approved at earlier Committee meetings and no further action by the Committee is required.

Mr. Howard said included in the members' folders was the semi-annual report of the Kentucky Asset Liability Commission, and he would be happy to answer any questions Committee members had.

Chairman Haydon said this report is required to be submitted to the Capital Projects Committee and to the Appropriations and Revenue Committee, and no further action is required.

Chairman Haydon then asked Mr. Howard to present thirteen new School Facilities Construction Commission (SFCC) bond issues, none of which required a tax

increase: Bell Co. - \$4,385,000 for renovations and additions at three elementary schools; Boone Co. - \$8,700,000 for construction of a new elementary school; Boyd Co. - \$2,135,000 for renovations at two elementary schools and one middle school; Danville Ind. (Boyle Co.) - \$2,385,000 for improvements at three elementary schools and one middle school; Erlanger-Elsmere Ind. (Kenton Co.) - \$574,000 for improvements at two elementary schools; Fairview Ind. (Boyd Co.) - \$3,085,000 for additions and renovations at an elementary school; Ft. Thomas Ind. (Campbell Co.) - \$14,000,000 for construction of a new middle school; Hardin Co. - \$20,840,000 for construction of a new high school; Harrison Co. - \$1,210,000 for improvements to a high school; Kenton Co. - \$4,420,000 for improvements to an elementary school; Owensboro Ind. (Daviess Co.) - \$3,165,000 for improvements to the middle school; Pikeville Ind. (Pike Co.) - \$1,405,000 for improvements to the elementary school and \$8,045,000 for renovations at two middle schools.

Representative Wayne made a motion to approve the school bond issues with SFCC participation in debt service. The motion was seconded and passed by voice vote. Because of a possible conflict of interest, Representative Damron abstained from the vote.

Chairman Haydon said there were two 100% locally-funded school bond issues: Anchorage Ind. (Jefferson Co.) - \$150,000 to replace a boiler at the school; and Estill Co. - \$486,000 for energy conservation improvements at various district sites.

Chairman Haydon said no further action was required on these locally-funded school bond issues.

Also enclosed in members' folders were two information items: a Capital Projects Update (staff briefs); and local capital construction projects memoranda of agreement approved by the Government Contract Review Committee at its April 13, 1999 meeting.

The next Committee meeting is scheduled for May 18, 1999 at 10:00 a.m. at the Northern Kentucky Convention Center in Covington, Kentucky.

With there being no further business, Senator Buford made a motion to adjourn the meeting. The motion was seconded by Representative Wayne and passed by voice vote. The meeting adjourned at 2:50 p.m.